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New study ranks risk factors in unemployment

The relative importance of factors affecting a person's chances of becoming unemployed is revealed in a new study by Paul Miller and Anh Tram Le of the University of Western Australia. Using data from the Australian Bureau of Statistics longitudinal **Survey of Employment and Unemployment Patterns**, in which the same respondents were interviewed over a number of years, the study classifies individuals into different categories of risk of being unemployed, and then compares this predicted risk to the actual outcome.

Some of the major findings of the study are:

- Educational attainment, proficiency in English, and other personal and regional characteristics (such as marital status and area of residence), are among the major influences on the chances that a person will be unemployed;
- Labour market outcomes are determined, in large part, by previous employment experience and job search activities. This suggests that there is a tendency towards cumulative disadvantage in the labour market;
- The groups with higher risk of unemployment include greater proportions of the least skilled members of the workforce (such as people who are less well-educated, not proficient in English, and young). For example, in the high-risk category, 51% left school at 15 years of age or younger and only 5% possessed a Bachelor degree or higher. In comparison, the group with low risk of being unemployed is predominantly well-educated, with 24% possessing a vocational qualification and 19% possessing a Bachelor degree or higher; and
- Individuals who were predicted to be at risk of unemployment engaged in considerable job search activities in the subsequent year, while those predicted to be not at risk of unemployment spent relatively little time in job search activities in the subsequent year. For example, the former group spent an average of 175 days in the subsequent year looking for work while not working compared to 10 days for the latter group. This suggests that the method of assigning people to risk of unemployment groups is successful.

Details are in **A Risk Index Approach to Unemployment: An Application Using the Survey of Employment and Unemployment Patterns** (cat. no. 6293.0.00.001) which is available from ABS bookshops. The views expressed in this Occasional Paper are those of the authors, and do not necessarily represent those of the ABS. The synopsis from the paper can be found on this site.

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